

THE 70's IN CANADA

A DECADE OF DEVELOPMENT

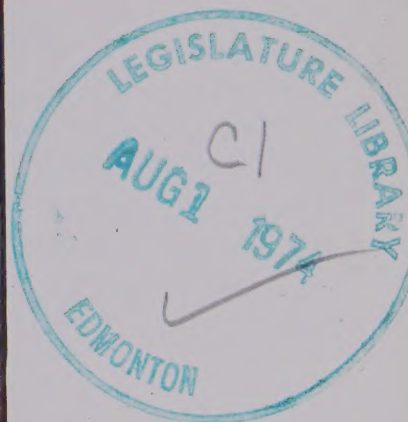
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Seventies In Canada: a Decade of Development: an Address by the Honourable 1




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An Address by the Hon. Harry E. Strom,
Premier of Alberta,
to the Canadian Club, Montreal,
November 2nd, 1970.



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Gentlemen:

It gives me great pleasure to be here this afternoon. I was interested to learn that you are considering this year, regional economic disparities within Canada. I would like to talk to you this afternoon about my government's views on this matter in terms of the requirements for Canadian economic development over the next decade.

In order that you may be clear about my definitions, I should say that I take regional economic disparity to refer to the idea that there are disparities in per person wealth, among different regions of Canada. Sometimes the regions referred to are very large units, as when the provinces are lumped together into the Atlantic provinces, Quebec, Ontario and the West. Sometimes the regions are quite small, as in a typical project under the Agricultural and Rural Development Act. Large or small, the significant thing is that similar sized regions differ from one another in terms of the wealth located there.

Taken this way, regional economic disparity is both a fact and a concept. It is a FACT because it cannot be denied that among political or statistical regions, differences in average income, industrial base or resource wealth do exist. It is a CONCEPT because once "regional economic disparity" is accepted as a common term, it leads to, and enables, certain patterns of thought.

Regional economic disparity is a treasured term in the vocabulary of the federal government. In fact, the reduction of regional disparities has been described by the Prime Minister of Canada, as one of the fundamental goals of the federal government. Since this is a keystone of federal policy, it behooves all of us, in preparing for the next decade to analyze this concept of regional economic disparity and to appraise programs based on it. I am sure this is why you have chosen this as your theme for the year.

Like all concepts, the concept of regional economic disparity has its uses, but it also has its misuses and abuses. It is a useful concept for understanding geographic growth patterns and development patterns in the Canadian economy. A knowledge of COMPARABLE economic statistics for different parts of the country allows us to plan or to take a role in the Canadian economy more intelligently, and hopefully, more efficiently.

But the concept becomes misused when we start applying it to problems faced by individual Canadians: to problems generally summed up under the term poverty. Presumably because of its emotive appeal, people concerned with regional economic disparities tend to talk about the "poor" Maritimer or the "rich" Albertan, thus ignoring the fact that almost as many Albertans as Maritimers, are poor, according to most statistical definitions of poverty, and that the Maritimes have their share of very rich people.

Now I realize that nobody would deny this fact when presented with it, yet continually we are being handed statistical averages — I am sure you have encountered, and will encounter, these often this year — such figures as: in 1965 the average family income in the four Atlantic provinces, was \$5,200; the average family income in Ontario, generally considered to be the "richest" province, \$7,200. But how often do we hear in connection with regional economic disparities that in every large region of Canada between thirteen and twenty-six per cent of families made less than \$3,000 in 1965.

When you look closely at the figures, the real geographic disparities are between the cities and the countryside, not so much between gross regions. In the Atlantic Region major urban areas (of more than 30,000 population) the average income was \$6,732 in 1965, whereas outside such urban areas, in every region of Canada, the average income was \$5,932 or less. In other words, there was an \$800, or fourteen per cent difference between the annual income of the average urban Maritimer and of the average rural or small town family in the supposedly richest province, Ontario — a difference in favour of the Maritimes.

Furthermore, far fewer families in the urbanized Atlantic provinces make less than \$3,000 per year, than do rural and small town people everywhere in Canada, and far more have incomes in the higher brackets of over \$10,000 per year. The gap between the average family income in the cities of the Atlantic region and that in Ontario cities is substantially less than the gap between urban and rural areas in ALL regions of Canada.

Now in case you're beginning to think that what I am doing is playing with statistics and picking out those which especially stress my

point, let me assure you that you are right. That's exactly what I'm doing — and I haven't even got into cost of living comparisons — because I'm tired of hearing those statistics which, because they are gross averages, suggest that certain provinces are the poor cousins of Canada. The fact I want to emphasize is that the poor cousins of Canada are in every province, and Mr. K. C. Irving is not one of them.

Because I am Premier of a "have" province, and yet so aware that there is poverty everywhere, I am suspicious of "fundamental federal goals" which are based on what I would regard as faulty statistical analysis: an over-emphasis on averages, a neglect of dispersions within a region.

I want to make this very clear. I am concerned because I fear that the goal of reducing regional disparities, as presently interpreted, leads to programs which:

1. do not help the people who really need help;
2. are often harmful to the total Canadian economy; and
3. somewhat ironically, result in a further centralization of power in Canada.

There are three examples of such programs which I would like to refer: the removal of the capital cost allowance on new construction in certain cities in Canada; the Federal Department of Regional Economic Expansion; and the so-called equalization payments between provinces.

The first of these — the deferral of the five per cent depreciation allowance on new commercial structures in metropolitan and major urban areas in Alberta, British Columbia and Ontario — is an undisguised attempt to slow down growth in these areas. In part, it is some kind of attempt to combat inflation; in part, it acts to deflect development away from these centres to other places in Canada. To me, this is a peculiar policy. Why should a business which is most efficiently located in a particular city be discouraged from doing so? Like all such measures designed to dissuade business from one location and attract it to another, it is neither healthy for the economy, nor helpful to those who most need help.

As an attack on inflation and as an attack on regional economic disparity, the selective deferral of the capital cost allowance hits many people, but it hits HARDEST those people who can least afford it. To reduce employment for construction workers, adds to the problems of poverty and unemployment. This is the result, when we concentrate on the problem of regional disparity at the expense of the real problem: poverty as experienced by the individual. And few will disagree that such a measure which separates some municipalities from others has implications for the pattern of development within a province, which means a further diminution of provincial control over its own future.

In the case of the Department of Regional Economic Expansion, I have mixed feelings. There are some programs which make good sense to me; some which do not. At the one extreme are those programs which focus on a geographically logical region and which have rather well-defined economic goals. Falling into this class are the Prairie Farm Rehabilitation Act, which, "provides technical and financial assistance for development of water supplies, adjustment of land use, and distribution of trees in the agricultural areas of Manitoba, Saskatchewan and Alberta", and the Maritime Marshland Rehabilitation Act, which gives the federal government responsibility for providing protective works for approximately 100,000 acres of agricultural marshland in the Maritime provinces.

It is interesting that of the present regional development programs operated by the federal government, these were the first to be developed: Prairie Farm Rehabilitation Act in 1935, and Maritime Marshland Rehabilitation Act in 1948. They were not created under the concept of regional economic disparity (though they are now administered by the Department of Regional Economic Expansion), but under the concept of public works and with the idea in mind of meeting regional needs and developing a region's full potential — whatever it is. Further, the limits of the regions involved under these programs are logically defined by specific goals.

Alberta supports such programs because they do not retard the growth of other regions which must, after all, help pay for the programs, and because they clearly offer benefits to the people of the region being served, and because they deal with the peculiarities of each region.

The later programs of the Department of Regional Economic Expansion, on the other hand, are less appealing to us. Later programs

have become more and more general in terms of both the region to be served, and the goal to be reached. This trend has culminated in the Regional Development Incentives Act, which was assented to a year ago, and the designation of special areas for intensive development. These programs are like the selective deferral of capital cost allowances — frankly discriminatory. They are designed to attract, to certain locations, industry which might otherwise locate elsewhere. Whereas the earlier programs of regional development were designed to help a particular and logical region develop its full potential without harming other areas, this is clearly not the case with the more recent programs.

Our experience with the Regional Development Incentives Act, under which a portion of Southern Alberta has been designated for receiving grants for industrial expansion, and our experience with the special areas program, under which a portion of Northern Alberta has been designated for intensive development, confirms our point of view that when the concept of regional economic disparity is uncritically used as a justification for giving general advantages to some regions over others, little good results. Now it is true that Alberta was, in a fashion, consulted before areas were established in our province, but this was a consultation on details after the main guidelines had been established. Like all provinces, our aim necessarily was to get as much area included in the designated zones as we could, especially certain areas which had been very wrongly left out. But we could only get so much — Alberta is not one of the “have-not” provinces after all — and so again our internal pattern of development is being strongly affected by federal measures.

Yes, it is a fact that there has been a decline in population recently in the most southerly parts of our province, but why bolster the economy of Claresholm and not the neighbouring town of Stavely, which is on the wrong side of some arbitrary line? Why special help to industry locating on the Blood Indian Reserve, but not on the Blackfoot Reserve at Gleichen-Cluny, which is less than 100 miles away but again outside the designated area.

Yes, in the north we must develop the economy so as to provide reasonable and stable employment opportunities for the natives of that region, but why make a special area around Slave Lake and ignore Lac La Biche.

Now, I know that with these kinds of projects you have to draw the line someplace, otherwise it would make no sense to talk of a "designated region" or "special area". If some parts of the country are to be designated or special, other parts must be not-designated, or not so special.

But this is exactly my point: the concept of regional economic disparity which locates "have" and "have-not" regions — "have" and "have-not" provinces, or "have" and "have-not" regions within provinces— requires that you do draw lines, and these lines are outrightly discriminatory and are the cause of a multiplicity of problems. Empirically, this has been shown by the fact that the federal government has had to carefully re-vamp its program every couple of years — each time admitting that the boundaries didn't make much sense.

I won't even go into all the details about what happens when the federal government draws lines through a province without reference to municipal, planning agency, or even geographic boundaries — which is what happened in Alberta. That problem could presumably be solved, and is not a general argument against specially designated regions. Nor do I really want to get into the question of whether cash grants of up to 12 Million Dollars to industries for locating in certain places, are fair to competing industries, or are a morally acceptable way to spend public money. I have doubts on all these points, but again, they are not central to the issue at hand. What I do question, is the basic concept of walling-off for general attention, a part or parts of Canada from the rest, and thereby thinking that the problem of gross economic disparity is going to be overcome in such a way; and I do worry about the effect of such measures on the total Canadian economy.

The fishermen on Lake Athabasca deserve support as much as the fishermen in Newfoundland; the unskilled labourer in Toronto needs new opportunities as much as his counterpart in Kapuskasing. Nor has it ever been proved that the people in a designated region who most need help actually find an improvement in their living standard because of the location of industries there.

I hope somebody analyzes what happens when the IBM plant is built in a small Quebec town within commuting distance of Montreal — just what the rural people in the area get out of it, what the present merchants get out of it, and what the town labour force gets out of it,

compared to employees and merchants moving to the town with the plant. I think that would be an interesting study for I remain to be convinced that the people in a designated region who REALLY need help, get it by being so located.

And heaven knows what happens to a marginal industry in a marginal town when a competitor gets up to 12 Million Dollars in grants — (not loans) — as a bonus, in effect, for being new to the industry and being free to so locate: or when an existing competitor gets up to Six Million Dollars in grants to buy new equipment. What might just happen is that the marginal industry will fold because of the taxpayers' generosity — or at least move out if he can — and thus leave behind a new problem.

Let me emphasize, gentlemen, that these are the problems caused when the concept of regional economic disparity informs our policies instead of the concept of economic disparity among individuals.

I find it ironic that this concept of REGIONAL economic disparity, this habit of aggregating figures and emphasizing statistical measures of centrality like averages, and ignoring measures of internal dispersion, has led us to discriminatory policies which FURTHER regional grievances. We have in this country a patchwork of industrial incentives, freight rates, tariffs, and depreciation allowances, all based on the concept of inter-regional economic considerations, and all leading to a host of problems for this region or that. I do not deny that the regional factors must often be taken into consideration when developing policy; nor do I deny that often one has to draw lines for this or that reason. But I do not accept that our regional "have" — "have-not" approach to economic problems, which draws lines around regions for the purpose of stimulating or retarding general development, is doing anything but retaining present problems and creating new ones. And I do believe that we can cut through all this by simply recognizing that it is the individuals who have the problems: and by all of us, particularly the federal government, replacing general incentives and support for industrial development in specified regions with incentives and support for personal development everywhere. This would allow industries to locate where it is more "naturally" efficient for them to do so, which would be better and fairer for the economy as a whole, and would help the people who really need it — perhaps by aiding them in moving to where the jobs are, perhaps by

helping them improve their local economy WHEREVER it is, perhaps by training or retraining them.

Here I would like to emphasize that we are not opposed to regional programs developed specifically to serve a particular region. This is the approach of the Prairie Farm Rehabilitation Act and Maritime Marshland Rehabilitation Act, and that being taken by Alberta's Human Resources Development Authority. But let us not confuse this type of regional development program with those regional programs based on the present federal concept of regional economic disparity. We need programs designed to achieve SPECIFIC goals appropriate to particular, meaningful regions, programs which reach every region where there are people who need help, (which for some time at least in this country, is obviously going to mean every region), and we need programs where individuals are the focus of concern rather than regional gross product.

The third and most important program I would like to refer to as an example of what results when the concept of regional economic disparity is misused, is the so-called equalization grant paid by the "have" to the "have-not" provinces. I would like to read to you a brief excerpt from the position paper of "Federal-Provincial Relations and Constitution Reform" which I presented to the Federal-Provincial Constitutional Conference in December of last year.

"In our view the equalization grant, in many ways, has created a false dichotomy between the so-called "have and have-not" provinces, both with respect to their attitude toward federal initiatives and also as it affects and distorts provincial expenditures priorities. Our view is that it is time to re-examine this whole approach and its consequences. Equalization payments have not solved the problem. It is time that Canadians became aware that this false dichotomy is not only economically unjustifiable, but perhaps, even more seriously, it is divisive and results in a fragmentation of the Canadian nation.

"Clearly what is needed at this time in our history are efforts toward integration, development and building. It is our view that the Canadian nation must be seen as a community, and its problems solved from a perspective of assisting and developing all individuals within the community. We should put an end to programs which contribute to divisiveness.

"Our view is that we could find much more far-reaching and effective solutions to the question of inequality of the distribution of wealth in Canada. We must deal with the problems of poverty wherever they exist in Canada. We must cease using regional solutions to problems which are not basically regional.

"Certainly my government has always made its contributions to equalization payments. The time has come when we should, seriously, reassess this approach to the problem. We need to devise programs which will meet the needs of individual Canadians across Canada. We want to meet the objective of achieving a basic level of security and to meet the basic need of all Canadians in all provinces.

"Our position is that the federal government should abandon its traditional approach and develop an income supplement plan for all Canadians, regardless of where they live. We want to make our position on the proposed plan clear. We are under no illusion that such a plan would greatly reduce the need for all other kinds of social service. Rather, we see the plan as establishing minimum income levels.

"Other programs, including training, education and retraining schemes, social development programs and assistance for various special groups, would no doubt have to be continued. If some existing programs could be concluded without harmful effects, we would of course strongly favour this.

"The guaranteed income plan is no panacea for social and economic development. It should be viewed as just one step toward overall development, and should be seen in the context of other social, educational and economic development plans. But . . . it is our view that such a new approach (to the problem of economic disparity) could make an important contribution to Canadian unity."

Gentlemen, that was the position I presented to the Federal-Provincial Conference. Over the past year, I have become no less convinced that it is a sound position.

Some people may be concerned that encouraging the federal government to get into the area of income supplements may further weaken the authority of the provinces or that federal programs directed at sub-regions within provinces or across provinces also may weaken the provincial authority; these people might argue that, at least with equalization payments, provincial autonomy is relatively assured because funds are simply taken from one province and given to another. I believe that the opposite is the case. I would say that when some provinces give lump sum payments for the federal government to disperse to other provinces, according to a formula devised BY the federal government, there is little provincial autonomy — certainly no more, than if an income security program for all Canadian, and regional development programs everywhere they are needed, were to be initiated by the provinces, and supported, if necessary, by the federal government, in a way which respects the particular needs of that province and that locality. I hardly see how the province can have less control, this latter way, than we do at the present time under equalization payments, the Industrial Incentives Act, and other federal policies directed toward “regional economic disparities”.

Alberta is not opposed to contributing a fair share toward the creation of a truly just society in Canada — she simply asks that ALL of her citizens have as much a share in that justice as anyone else in the country. We would prefer to see the present system of equalization payments replaced by a system whereby moneys needed by the federal government for guaranteeing a minimum of security for all Canadians are collected through established taxation sources and passed on directly to the people. We prefer this to having moneys from those provinces which are deemed to be richer than average, according to a necessarily arbitrary formula, passed on to the provinces deemed poorer than average, for programs, perhaps far removed from alleviating real individuals' needs.

Is it not a little much to expect of an Alberta man making less than \$3,000 per year, to pay, through the taxes to his provincial government, for highways or flower gardens 3,000 miles away? When his province or his country uses his taxes he has some redress for uses made of his money which he disapproves of. But the Vancouver resident has no M.L.A. in New Brunswick, and we in Edmonton have no political representative here in Montreal.

This is the challenge we face in the 1970's: to bring social justice to all Canadians, wherever they live, and to simultaneously develop an efficient growing economy. The one implies the other. Social justice and economic growth must go hand in hand.

It is the position of my government that these goals are not only desirable but possible, and, if we are going to get to the root of the political problems developing in this country, I dare say, necessary. At the same time we must ensure that the provinces retain their authority and resist attempts to increase federal power through the back door. There may come a time when social justice has been achieved, when economic growth is no longer necessary or desirable, when the federal question has been responsibly resolved; but for the next decade at least, this will not be the case. For now, and for the foreseeable future, we must continue to strive for these on a national scale. I submit that programs conceived as addressing themselves to so-called regional economic disparities will lead neither to economic growth, nor social justice, nor provincial responsibility.

What will lead to these goals?

1. encouraging industry to locate, (within the bounds of sound environmental planning) according to the most naturally efficient criteria;
2. a minimum economic security guaranteed by the federal government for all Canadians; and
3. placing the onus on each province to make the most of its particular economic potential, with federal help for specific projects, when necessary.

Gentlemen: it has been a pleasure to be with you this afternoon, and a pleasure to explain to you some of my government's concerns about the concept of regional economic disparity prevalent in Canada today.

Thank you.

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